

House Bill 1387

By: Representatives Ehrhart of the 36<sup>th</sup>, Burkhalter of the 50<sup>th</sup>, Knox of the 24<sup>th</sup>, Harbin of the 118<sup>th</sup>, and Keen of the 179<sup>th</sup>

A BILL TO BE ENTITLED

AN ACT

To amend Title 33 of the Official Code of Georgia Annotated, relating to insurance, so as to provide for gradual reduction in state tax on insurance premiums; to provide for an insurance premium tax credit for jobs in the state; to provide for reduction in certain local taxes on insurance premiums; to repeal the state tax on risk retention group premiums; to provide for related matters; to provide for an effective date; to repeal conflicting laws; and for other purposes.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

**SECTION 1.**

Title 33 of the Official Code of Georgia Annotated, relating to insurance, is amended by striking subsection (a) of Code Section 33-8-4, relating to amount and method of computing tax on insurance premiums generally, and inserting in lieu thereof a new subsection (a) to read as follows:

"(a) All foreign, alien, and domestic insurance companies doing business in this state shall pay a tax of 2 1/4 percent upon the gross direct premiums received by them on and after July 1, 1955. The tax shall be levied upon persons, property, or risks in Georgia, from January 1 to December 31, both inclusive, of each year without regard to business ceded to or assumed from other companies. The tax shall be imposed upon gross premiums received from direct writings without any deductions allowed for premium abatements of any kind or character or for reinsurance or for cash surrender values paid, or for losses or expenses of any kind; provided, however, deductions shall be allowed for premiums returned on change of rate or canceled policies; provided, further, that deductions may be permitted for return premiums or assessments, including all policy dividends, refunds, or other similar returns paid or credited to policyholders and not reapplied as premium for additional or extended life insurance. The term 'gross direct premiums' shall not include annuity considerations. For calendar year 2007, the premium tax rate of 2 1/4 percent shall

1 be reduced to 1 1/2 percent; for calendar year 2008, the premium tax rate of 1 1/2 percent  
 2 shall be reduced to one-half of 1 percent and shall remain one-half of 1 percent each year  
 3 thereafter."

## 4 SECTION 2.

5 Said title is further amended by striking Code Section 33-8-5, relating to abatement or  
 6 reduction of tax on insurance premiums, and inserting in lieu thereof a new Code Section  
 7 33-8-5 to read as follows:

8 "33-8-5.

9 (a) Whenever any insurance company doing business in this state shall make it appear to  
 10 the Commissioner, by evidence satisfactory to him or her, that one-fourth of its total assets,  
 11 as of December 31 of any taxable year, exclusive of direct obligations of the United States,  
 12 consists of or is invested in any or all of the following classes of property:

13 (1) General obligation bonds of this state or of any political subdivision of the State of  
 14 Georgia;

15 (2) Revenue bonds or revenue anticipation certificates of any county, municipality, or  
 16 political subdivision of this state;

17 (3) Revenue bonds or revenue anticipation certificates of any authority or public  
 18 corporation created by or pursuant to the laws of this state;

19 (4) Real estate situated in and subject to taxation by this state or its political subdivisions;

20 (5) Tangible personal property located in this state and subject to taxation by this state  
 21 or its political subdivisions;

22 (6) Loans secured by liens on real estate situated in this state;

23 (7) Policy loans on insurance policies issued by the company on lives of persons resident  
 24 in this state;

25 (8) Intangible property having a taxable situs in this state; or

26 (9) Shares in Georgia corporations in which the insurance companies are authorized to  
 27 invest under the laws of this state,

28 then the gross premium tax levied by Code Section 33-8-4 shall be abated or reduced to ~~1~~  
 29 one-fourth of 1 percent upon the gross premium of any company subject to taxation by said  
 30 Code section and, if the amount so invested by any company shall be as much as  
 31 three-fourths of its total assets, exclusive of direct obligations of the United States, then the  
 32 said premium tax shall be abated or reduced to ~~one-half of 1~~ one-eighth of 1 percent upon  
 33 the gross premiums of the company subject to taxation by said Code section.

34 (b) There shall be allowed a credit against the net tax levied by Code Section 33-8-4 equal  
 35 to 15 percent of the amount paid by the insurer in salaries to employees located or based

1 within the State of Georgia and who are covered by the provisions of Chapter 8 of Title  
2 34."

### 3 **SECTION 3.**

4 Said title is further amended by striking paragraph (1) of subsection (b) of Code Section  
5 33-8-8.1, relating to county and municipal corporation taxes on life insurance companies, and  
6 inserting in its place a new paragraph (1) to read as follows:

7 "(1) There is imposed a county tax for county purposes on each life insurance company  
8 doing business within the state, which tax shall be based solely upon gross direct  
9 premiums, as defined in Code Section 33-8-4, which are received during the preceding  
10 calendar year from policies insuring persons residing within the unincorporated area of  
11 the counties pursuant to the provisions of this Code section. The rate of such tax shall be  
12 1 percent of such premiums, ~~except that such tax shall not apply to the gross direct~~  
13 ~~premiums of an insurance company which qualifies, pursuant to Code Section 33-8-5, for~~  
14 ~~the reduction to one-half of 1 percent of the state tax imposed by Code Section 33-8-4.~~  
15 The tax imposed by this Code section shall not apply to annuity considerations; and"

### 16 **SECTION 4.**

17 Said title is further amended by striking subsection (a) of Code Section 33-8-8.2, relating to  
18 county and municipal corporation taxes on other than life insurance companies, and inserting  
19 in its place a new subsection (a) to read as follows:

20 "(a) Counties and municipal corporations are authorized to levy tax at a rate not to exceed  
21 2.5 percent upon the gross direct premiums of all foreign, alien, and domestic insurance  
22 companies doing business in this state other than life insurance companies. The tax shall  
23 be in addition to the taxes levied by Code Section 33-8-4, and it may be levied upon the  
24 gross direct premiums received by such companies during the preceding calendar year. The  
25 tax shall be levied upon premiums derived from policies insuring persons, property, or risks  
26 in Georgia from January 1 to December 31, both inclusive, of each year without regard to  
27 business ceded to or assumed from other companies. The tax shall be imposed upon gross  
28 premiums received during the preceding calendar year from direct writing without any  
29 deductions allowed from premium abatement of any kind or character or for reinsurance  
30 or for losses or expenses of any kind; provided, however, deductions shall be allowed for  
31 premiums returned or change of rate or canceled policies; provided, further, that deductions  
32 shall be permitted for returned premiums or assessments, including all policy dividends,  
33 refunds, or other similar returns paid or credited to policyholders. For calendar year 2007,  
34 the maximum premium tax rate of 2.5 percent shall be reduced to 2 percent; for calendar

1 year 2008, the maximum premium tax rate of 2 percent shall be reduced to 1 1/2 percent;  
2 and for calendar year 2009 and thereafter, the maximum premium tax rate shall  
3 be 1 percent."

#### 4 **SECTION 5.**

5 Said title is further amended by adding a new Code Section 33-8-14 to read as follows:

6 "33-8-14.

7 Each foreign, alien, and domestic insurance company doing business in this state shall file  
8 with the Commissioner a request for rate reductions equal to the anticipated reductions in  
9 such insurer's expenses due to the reduction of the state, county, and municipal tax on  
10 gross direct premiums as provided for in Code Sections 33-8-4, 33-8-8.1, and 33-8-8.2.  
11 Such request shall be filed with the Commissioner to become effective no later than any  
12 date on which the premium tax rate is reduced, as set forth in Code Sections 33-8-4,  
13 33-8-8.1, and 33-8-8.2."

#### 14 **SECTION 6.**

15 Said title is further amended by striking Code Section 33-40-5, relating to tax on premiums,  
16 and inserting in its place a new Code Section 33-40-5 to read as follows:

17 "33-40-5.

18 ~~(a) All premiums paid for coverages within this state to risk retention groups shall be~~  
19 ~~subject to taxation at the rate of 4 percent on all premiums paid or due and payable during~~  
20 ~~the preceding quarter, less return premium. Risk retention groups shall be subject to~~  
21 ~~interest, fines, and penalties for nonpayment or nonreporting as provided in Code Section~~  
22 ~~33-5-32 for surplus lines brokers.~~

23 ~~(b) To the extent agents or brokers are utilized, they shall report and pay the taxes for the~~  
24 ~~premiums for risks which they have placed with or on behalf of a risk retention group not~~  
25 ~~chartered in this state.~~

26 ~~(c) To the extent agents or brokers are not utilized or fail to pay the tax, each risk retention~~  
27 ~~group shall pay the tax for risks insured within the state. Further, each risk retention group~~  
28 ~~shall report all premiums paid to it for risks insured within the state~~ Reserved."

#### 29 **SECTION 7.**

30 This Act shall become effective upon its approval by the Governor or upon its becoming law  
31 without such approval.

#### 32 **SECTION 8**

- 1 All laws and parts of laws in conflict with this Act are repealed.